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The Urban Book Series

Territorial Cohesion

The Urban Dimension

Eduardo Medeiros
Editor



Chapter 7

Integrated sustainable urban development strategies in the European Union: added value and challenges

Arno van der Zwet, Martin Ferry, and John Bachtler

Abstract This article will consider the implementation of integrated sustainable urban development strategies as part of the Article 7 requirements under the 2014-2020 European Regional and Development Fund regulation. The article will reflect on the place-based rationale of the approach and consider the major innovations in the 2014-2020 regulations. It will subsequently consider how Member States have designed and implemented the regulation, particularly focusing on variation between and within member states. The second section of the chapter considers the added value of the provisions at the European level. Added value can be captured in three dimensions: the extent to which new or strengthened strategic frameworks have emerged, the extent to which integrated governance and strengthened implementation capacities have been achieved, and the extent to which experimentation and innovation in relation to interventions have taken place. The third part of the chapter will analyse some of the key challenges in relation to implementation of these strategies through European funding streams. These relate to issues around capacity, regulations and governance. The final section will reflect on the lessons that can be learned in relation to the role of integrated place-based strategies to achieve territorial cohesion.

Keywords Integrated Sustainable Urban Development • European Union • EU Cohesion Policy • Urban Development • Territorial Cohesion

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7.1 Introduction

The following chapter considers the implementation of integrated sustainable urban development strategies at the European level. These strategies have been introduced in the 2014-20 Cohesion Policy as part of a shift to place-based policy-thinking and practice (van der Zwet et al. 2018). In particular, the urban dimension of Cohesion Policy was strengthened in the 2013 reforms of the European Structural and Investment Funds (ESIF) for the 2014-20 period (Tosics 2015). Developments in thinking about place-based approaches (van der Zwet and Mendez 2015) were particularly influential in the debate on reforming Cohesion Policy in the mid/late 2000s and were given credence by a number of reports (Barca 2009; Farole et al. 2009; OECD 2009a ; OECD 2009b). The 2009 Barca Report argued that such policy interventions are superior to spatially-blind interventions, which too often assume a top-down approach (Barca 2009). In essence, integrated place-based approaches rely on local knowledge, capital and control over resources, as well as a locally developed strategic framework in order to facilitate endogenous growth.

Territorial provisions have played a relatively small but significant role in previous programme periods of EU Cohesion Policy. For example, the Urban Community Initiative, first launched in the 1994-99 period, continued in the 2000-06 period and integrated in the Investment for Growth and Jobs programmes in the 2007-13 period, encouraged urban areas and neighbourhoods to design innovative, integrated urban development measures. Under the European Territorial Cooperation programme, URBACT was set up in 2003 and has sought to foster sustainable integrated urban development in cities across Europe. URBACT is mainly a knowledge-exchange platform, enabling networking between cities and identifying good practice. The LEADER approach was established in 1991 and has become an important element of rural development, and since 2007 it has also been used within the European Maritime and Fisheries Fund (EMFF) to support sustainable development in fishing communities. Community-Led Local Development (CLLD) was introduced for the 2014-20 period, based on the LEADER instrument.

The new emphasis on integrated place-based approaches under Cohesion Policy in the 2014-20 period follows the formalisation of territorial cohesion as an objective for the EU in the Treaty on the Functioning of the EU (TFEU) and the subsequent regulations for European Structural and Investment Funds approved in 2013. According to the Territorial Agenda of the European Union (European Commission 2011), territorial development policies should address the following issues:

- increased exposure to globalisation and structural changes caused by the global economic crisis;
- new challenges for European integration and growing interdependence of regions, territorially diverse demographic and social challenges, and spatial segregation of vulnerable groups;
- climate change and environmental risks that have geographically diverse impacts;

- growing energy challenges threatening regional competitiveness; and
- loss of biodiversity, and growing vulnerability of natural, landscape and cultural heritage.

The nature of these challenges is thought to require an integrated mix of interventions in order to increase their impact and to exploit fully the development potential of different types of territories. There is a particular focus on fostering integrated sustainable urban development (ISUD) through integrated strategies in order to strengthen the resilience of cities.

This chapter draws on research that was undertaken as part of a European Commission (EC) study of the integrated territorial and urban strategies supported by European Structural and Investment Funds (van der Zwet et al. 2017). The research is the most extensive data gathering exercise in relation to ISUD strategies that has been carried out to date. The project identified 853 ISUD strategies and a further 153 territorial strategies that are implemented by integrated territorial investment tool but that are not considered part of each Member State's ISUD allocation. A second stage involved the creation of a database of 426 strategies and the development of 50 in-depth case studies fiches of individual strategies of which 42 ISUD strategies. These case studies involved in-depth semi-structured interviews with Stakeholders in 26 Member States.¹ This chapter will only discuss ISUD strategies and mainly draw on the evidence collected as part of the case study fiches. Table 1 provides an overview of the in-depth case studies. The Table reports the urban area, Member State whether the strategy covers a metropolitan area, town or neighbourhood. The total population coverage of the strategy area, the implementation mechanism (see next section) – either integrated territorial investment (ITI), priority axis (PrAxis) or Operational Programme (OP) and whether the urban area is located in a more developed region (MD), transition region (TR) or less developed region (LD).

The remainder of this chapter is structured as follow. The next section will provide an overview of the key aspects of integrated sustainable urban development in the 2014 ESIF period. In the next section, we will consider the potential added value of ISUD and other territorial approaches. In the penultimate section we shall consider some of the challenges of implementing ISUD and other strategies. These include capacity, regulatory and governance issues.

¹ Malta and Luxembourg were not included.

Table 1 : In-depth ISUD case studies

Case study	Member State	Type of city/region	population	Implementation method ²	Type of region ³
Vienna	AT	Metropolitan	1840000	PrAxis	MD
Brussels	BE	Town	1139000	OP	MD
Plovdiv	BG	Town	504338	PrAxis	LD
Pazardjik	BG	Town	69384	PrAxis	LD
Nicosia	CY	Neighbourhood	8244	PrAxis	TR
Prague	CZ	Metropolitan	609000	ITI	MD
Brno	CZ	Town	2000000	ITI	LD
Ústí nad Labem	CZ	Town	52000	ITI	LD
Berlin	DE	Metropolitan	3500000	PrAxis	MD
Nordhausen	DE	Town	41839	PrAxis	TR
Vejle	DK	Town	53230	PrAxis	MD
Tartu	EE	Metropolitan	120929	PrAxis	LD
Patras	EL	Neighbourhood	150000	ITI	LD
Malaga	ES	Town	59695	PrAxis	TR
Barcelona	ES	Town	114014	PrAxis	MD
Six cities	FI	Town	1600000	ITI	MD
Aurillac	FR	Other	54036	PrAxis	TR
Centre Franche-Comté	FR	Region	319868	PrAxis	TR
Lille	FR	Metropolitan	357220	ITI	MD
Zagreb	HR	Town	1086528	ITI	LD
Pecs	HU	Town	145000	PrAxis	LD
Debrecen	HU	Town	145000	PrAxis	LD
Tatabanya	HU	Town	68000	PrAxis	LD
Cork	IE	Metropolitan	119230	PrAxis	MD
Torino	IT	Town	905000	OP and PrAxis	MD
Palermo	IT	Town	1069754	OP and PrAxis	LD
Reggio Emilia	IT	Region	171655	PrAxis	LD
Kaunas	LT	Neighbourhood	297846	ITI	LD
Liepaja	LV	Town	71926	ITI	LD
The Hague	NL	Town	510000	ITI	MD
Katowice	PL	Metropolitan	2759961	ITI	LD
Walbrzych	PL	Metropolitan	415800	ITI	LD
Lublin	PL	Metropolitan	547784	ITI	LD
Porto	PT	Metropolitan	237534	ITI	LD
Cascais	PT	Town	206479	PrAxis	MD
Timisoara	RO	Town	387000	PrAxis	LD
Ploiesti	RO	Town	327000	PrAxis	LD
Stockholm	SE	Metropolitan	2100000	OP	MD
Maribor	SI	Town	81165	ITI	LD

² Integrated Territorial Investment (ITI), Priority Axis (PrAxis), Operational Programme (OP)³ More developed region (MD), Transition region (TR) Less developed region (LD)

Case study	Member State	Type of city/region	population	Implementation method ²	Type of region ³
Nitra	SK	Town	92935	ITI	LD
London	UK	Metropolitan	8539000	ITI	MD

Source: van der Zwet et al. 2017

7.2 Overview of Integrated Sustainable Urban Development Strategies in the 2014-2020 ESIF period

In the 2014-20 programme period there are a number of important differences compared to previous periods. First, the overall funding allocation for integrated place-based approaches has increased. According to the indicated territorial delivery mechanisms in the OPs, around nine percent of the Cohesion Policy budget (EUR 31 billion) will be spent through the various territorial provisions. Second, there is a regulatory requirement to implement integrated place-based approaches in cities. Third, the integrated approach in general is emphasised. Fourth, more information regarding the implementation of integrated place-based approaches is required at the programme level. Fifth, there is more attention for knowledge diffusion (e.g. providing guidance, scenarios, participation in urban networks, peer-to-peer review, etc.).

The use of Article 7 for the implementation of **European Regional and Development Fund (ERDF)** makes integrated urban development a compulsory feature of the ESIF regulation. One of the main goals of the approach is to empower cities. As such, a novel feature of the regulation is the requirement to delegate implementation tasks to cities for interventions that are programmed as part of the minimum five percent ERDF share to implement ISUD. However, it is left to the Member States to identify those territories that are considered urban areas. Furthermore, the regulation encourages the introduction of innovation and experimentation (Urban Innovative Actions, Article 8 of Regulation 1301/2013) and the introduction of an Urban Development Network to deepen the discussion on the implementation of the urban dimension (Article 9 of Regulation 1301/2013).

Article 7 can be implemented using a number of different approaches and instruments. ISUD can be implemented through so-called mainstream approaches (i.e. in a similar way to how other ESI Funds are implemented) as either a separate **OP** or a separate mixed priority axis. ISUD can also be implemented through an Integrated Territorial Investment (ITI) strategy. This new tool provides a framework for thematic/sectoral integration and can be used to combine resources from different funds (usually ERDF and **European Social Fund - ESF**) into single strategies. ITI can also be used for territorial strategies that do not contribute to the Article 7 regulatory requirements. These type of strategies are referred to as regional ITI and although they are in many ways similar to ITI ISUD

strategies (i.e. they are integrated, drawing funding from multiple priority axis and/or funds and have a dedicated ring-fenced budget) they are particularly different in terms of the afforded responsibilities in relation to project selection to the local level which is in all cases more limited.

Community-Led Local Development (CLLD) can also contribute to ISUD strategies. CLLD provides a bottom-up participatory approach to ESIF implementation generally and can also be used in the urban context. However, ITI and CLLD have a broader application. ITI can also target functional areas, such as rural, rural-urban and cross-border areas, and territories with specific geographic features (van der Zwet et al. 2014). CLLD can also contribute to the implementation of these non-ISUD ITI strategies.

These measures all aim to support place-based development in an integrated manner across the EU28. However, overall, the regulatory framework, particularly in relation to Article 7, is not prescriptive and provides extensive scope for variation in implementation across the EU28. This flexibility is considered a strength as it allows for a more place-specific interventions. However, the Commission guidance lists some key principles for territorial provisions (EC 2014):

- include a comprehensive and evolving strategy that is of real use to the urban authority;
- include a robust territorial and demographic analysis;
- include a mid-term/long-term vision i.e. until at least 2020;
- include a system of interlinked actions which seek to bring about a lasting improvement in the economic, environmental, climate, social and demographic conditions of an urban area;
- build upon other major investments in the urban area;
- be coherent with the overall development targets of the region and Member State;
- be realistic in terms of the capacity to implement;
- be linked to the objectives of the programme from which the funds derive; and
- demonstrate how local citizens, civil society, other governance levels will be involved in the implementation of the strategy

These core principles already highlight where the added value of the approach can be expected and also where we can anticipate some of the challenges in terms of design, implementation and governance of the strategy. These issues will be further discussed in the next two sections

7.3 The Added Value of territorial approaches

Analyses of the influence of Cohesion Policy in changing the policy and practices of regional and urban development in Member States are often discussed under the broad heading of ‘added value’ (Bachtler et al. 2009). These analyses have highlighted changes in the way that practitioners and stakeholders conceptualise and relate to regional policy through involvement in Cohesion Policy

programmes: in the content of the policy (strategic goals, underpinning rationales and measures), and in the way policy is designed and delivered. Generally, Cohesion Policy is credited with adding value in a number of ways. First, it can support and strengthen the profile and strategic framework of regional policy in Member States (Mairate 2006). This can involve a raised awareness among key actors of the role of strategy building. It can also build capacities that are durable beyond the project level and facilitate future project implementation at different scales. Cohesion Policy can encourage information and knowledge exchange on key strategic priorities, creating alignments and synergies between different levels of government and across administrative boundaries. Taken together, Cohesion Policy concerns the creation of new strategic frameworks and/or the strengthening of pre-existing approaches across different territorial levels in member states.

Second, Cohesion Policy can encourage integrated governance and strengthen capacities within member states (EC 2016). This process consists of a number of aspects:

- the establishment of new structures, arenas, partnerships for strategic thinking in the territory;
- building up social capital ‘soft’ skills, consensus-building and trust-building;
- developing technical skills and capacity at local level; and
- providing input into policy development and policy instruments.

Third, Cohesion Policy can promote experimentation and innovation, with interventions facilitating greater cooperation and collaboration among policy-makers and stakeholders at different levels (Bache 2011). As such, the Policy increases awareness of opportunities that aid development in the territory. It can create investment-steering and investment-accelerating effects. It can leverage financial and ‘other’ incentives to mobilise actions and resources. This can produce multiplier effects, by encouraging the ‘pooling’ of regional policy budgets and administrative resources, accessing additional funding for regional development from public and private sources and increasing the effectiveness and impact of regional policy by strengthening coordination and synergies between EU and domestic instruments.

In this way, ESI Funds act as motivators or ‘agents of change’ (Polverari et al. 2017). Although at an early stage of implementation, the introduction of ISUD strategies creates substantial potential⁴ for the creation of these dimensions of EU ‘added value’. The next sub sections will identify examples of each of these added value dimensions at the urban level, providing examples where appropriate.

⁴ It is important to stress that, at this stage, the added value is often only *potential*; new frameworks and mechanisms have been introduced, but their operation in practice is not tested or assessed.

New or strengthened strategic frameworks

The process of developing ISUD strategies have already created added value by demonstrating to stakeholders in the territory the role and significance of integrated strategic approaches. Potential added value is recognised in addressing inefficiencies caused by fragmentation. The involvement of local authorities in the design and implementation of strategies is credited by implementing authorities with creating potential for minimising rivalry, competition and duplication of projects. In Lublin, for instance, the development of the ISUD strategy has increased the knowledge and awareness of the role and importance of strategic and integrated programming. The standard of strategic planning for development has increased and local authorities have become much more involved in Cohesion Policy implementation (as opposed to acting only as beneficiaries).

Thus, there is a clear process of local-level capacity-building underway. In **the** Patras ISUD strategy, a key component of perceived added value among policy-makers is that, contrary to previous programme periods, which relied on project-based **and** fragmented interventions, the strategy now sets out an integrated plan with a particular geographical focus. Similarly, in the Prague ISUD strategy, there is a presumption that the adoption and implementation of the strategy will ensure better functional links between constituent areas, **by** developing strategic solutions to common problems. In **the** Kaunas ISUD strategy, local authorities see the strategy-planning and implementation process as a good exercise to prove the use of integrated planning in the real life. Success of the strategy will be an important determinant of whether and to what extent an integrated approach will be introduced into city planning in the future.

Some areas have long-established traditions of working with integrated place-based strategies and limited ESI funding allocations. In these cases, added value can be identified in the extension or strengthening of existing practice. For example, the Cork ISUD strategy strengthens the integration of the country's overall approach to regional development with local development plans. It offers the opportunity to fund a range of projects and embed them into an integrated plan for the city. From the city-level perspective, the link between the city plan and ESI funding provides the opportunity to 'think bigger' and more strategically about which projects they want to fund.

Integrated governance, strengthened implementation capacities

The implementation of ISUD strategies is creating added value in some contexts in the form of new, cooperative governance mechanisms and structures. The establishment of intermediary bodies as part of article 7 requirements is, in some cases, having an observable influence on how

interventions/projects are implemented. Article 7 stipulates that the input of urban authorities in resource-allocation decisions must be demonstrated, particularly in the selection and delivery of projects. This secures active participation in resource-allocation decisions, and in many cases is accompanied by new systems, structures and tools that maximise the input from partners and stakeholders. In some cases, implementation by urban authorities has required organisational arrangements that increase resources for implementation, potentially boosting capacity in the longer term.

These new approaches to governance can include the development of different governance structures, processes and capacities that cover different types of functional areas. The Brno ISUD ITI strategy, for instance, has become a catalyst for institutional changes in metropolitan cooperation and has enabled wide agreement on, and funding for, strategic projects principally for the metropolitan territory. There are now efforts to ensure the continuation of the structures created (e.g. steering committees, working groups) and metropolitan partnerships.

In the Lublin ISUD strategy, the added value of ITI is seen as substantial by the MA, the ITI Office and the ITI partners in changing approaches to territorial governance in the region. The ITI strategy has created a governance framework that incentivises an integrated approach to territorial governance. City and local authorities are working together on the ITI strategy and are trying to use this cooperation for the development of the whole area. It is worth noting that before signing the agreement in 2014, neither the mayors nor the operational civil servants of the Lublin municipalities were in regular contact with each other to discuss strategic development. Thanks to a special model of ITI cooperation which includes an operational ITI strategy coordinator in every partnering municipality, officials are in contact on a daily basis, while the mayors meet at least once a month to discuss more strategic issues. Such close interaction would not have happened without the ITI strategy framework and the associated incentives.

Strengthened cooperation can also concern partners from different sectors. Integrated place-based strategies involve a much broader range of actors compared to simple projects, and this can strengthen social networks based on reciprocity, trust, and cooperation. For example, in the Maribor ISUD strategy, added value is identified in the intensive cooperation with the university and NGOs. Furthermore, a feature of added value noted in the case of the Brussels ISUD strategy is the development of partnerships, including those involved in the social economy and voluntary sectors.

Experimentation, innovation with interventions

Specific features of ISUD strategies also increase the potential for experimentation with new and

innovative approaches to designing and delivering initiatives, in turn creating added value. For instance, in some strategies the scope to combine different ESI Funds is seen as a source of added value, providing efficiency gains from exploiting synergies between different funding streams in one integrated place-based strategy.

Implementing authorities for the 'The Hague' ISUD strategy highlight the value of integrating ESF and ERDF funding in the territory. It is too early to fully understand how effective this approach is, but it does encourage policy-makers and project stakeholders to at least think in a more integrated way. The integration at the level of the ITI strategy is considered a first step towards further integration at the project level. It is noted that there are important differences in terms of culture, implementation practices, and types of stakeholders between the funds, which form a significant barrier to full integration. However, by combining ERDF and ESF within an ITI strategy, these barriers are bridged both by public administration bodies and stakeholders.

In other cases, policy-makers are taking advantage of ESIF ISUD strategies to pilot new configurations of territories and stakeholders, including private sector partners.

The Finnish Six Cities ISUD strategy represents an innovative type of operational cooperation between the six cities, which has emerged from their needs (i.e. joint interests and measures). The starting point was that the strategy would not just entail one or two cities, but multiple cities across Finland. The instrument is perceived to be valuable and innovative as it also promotes cooperation with businesses and strives to achieve other objectives such as competitiveness and growth. Added value is also achieved by increasing awareness of investment opportunities and the formation of links with the private sector that can facilitate private funding for specific, innovative types of actions.

In the Vejle ISUD strategy, the expected added value is that it will help to build a common basis for public-private partnership and in so doing strengthen cooperation on sustainable urban development. For example, from a small project on the utilisation of construction waste, it is expected that awareness will be strengthened among SMEs of the business potential in the more sustainable utilisation of waste.

7.4 Design and implementation challenges

Most research, studies and evaluations of Cohesion Policy implementation and management identify a number of challenges (e.g. Dotti 2016; Bachtler et al. 2014; McCann and Ortega-Argilés 2016). Although the challenges are generally very diverse in nature they can be captured in a number of interlinked dimensions:

- resource, institutional and administrative capacity;
- regulatory challenges; and
- governance challenges.

Each of these dimensions is captured in Figure 7.1 under which we can subsequently identify sub-dimensions and specific challenges.

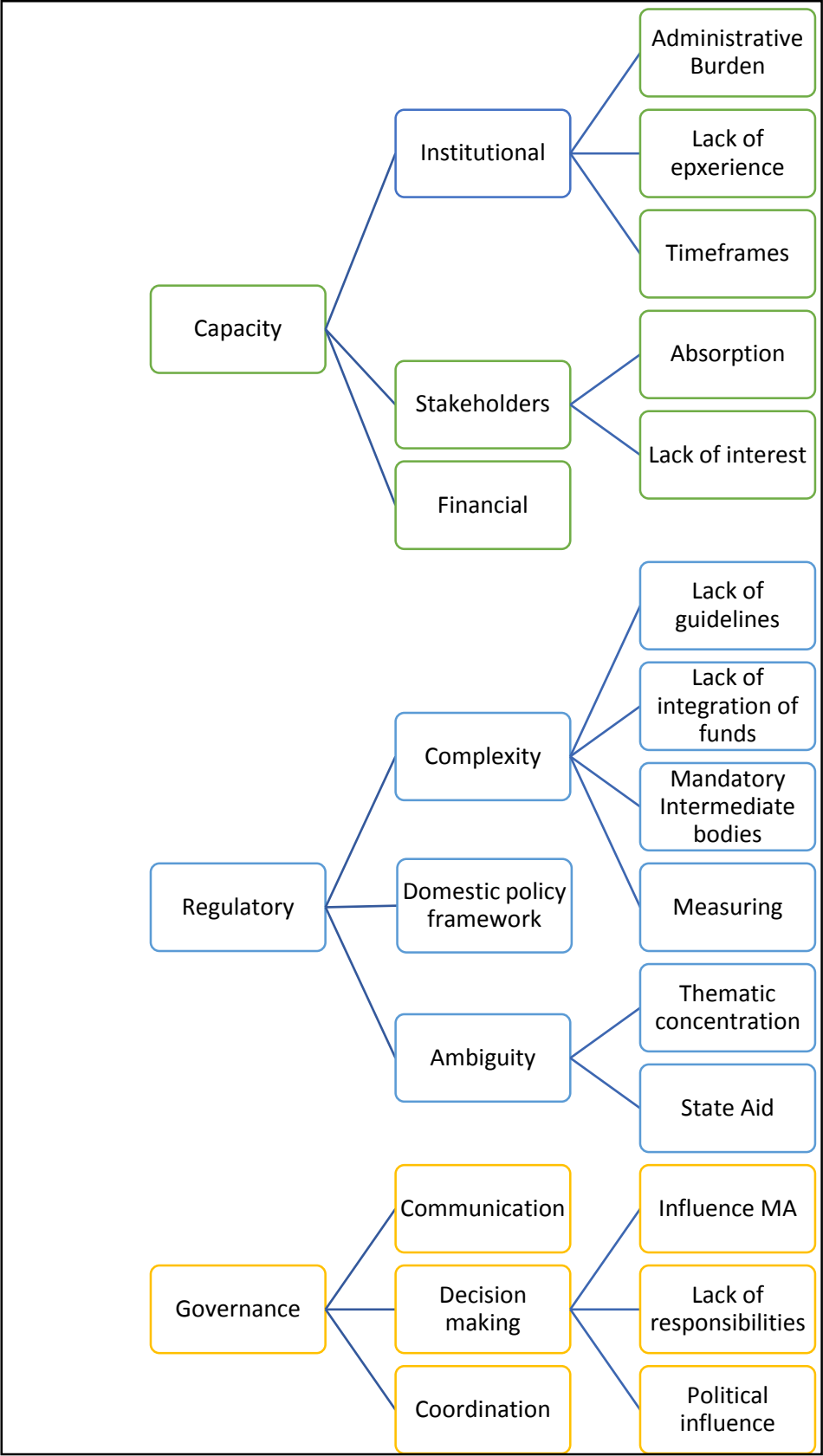
Resource, institutional and administrative capacity

Earlier studies have raised concerns about resource, institutional and administrative capacity to manage and implement strategies, particularly where responsibilities for implementation are delegated to local bodies with more limited expertise or resources to implement ESIF funds (Bachtler et al. 2014). These concerns about capacity are also linked to the perceived increase in the complexity of the ESIF Regulations, sometimes due to ‘gold-plating’ by Member States rather than the original regulations (van der Zwet et al. 2014; Böhme et al. 2017).

In first instance, City authorities from for example Berlin, Chomutov and Lille, have noted that the design phase of strategies can be very lengthy which can drain resources and is often perceived as a cumbersome and bureaucratic process and in some cases hindered by lack of or complicated guidance. Institutional capacity is also negatively affected either by tight deadlines (e.g. Cascais, Porto) or by processes that are considered too lengthy (e.g. Barcelona), and by strategies that have suffered from delays and overlapping processes (e.g. Debrecen, Ploiesti, Tatabanya, Timisoara) that influence the quality of design and the speed of implementation.

More specifically related to the implementation these capacity challenges can include those at the institutional level, which reflect issues around the administrative burden for local authorities linked to unfamiliarity with the implementation of ESIF funds, but also experience and capacity of implementing place-based integrated strategies, in particular, those cases where local administrations are small and have limited experience this can lead to considerable challenges. From a local perspective, issues of capacity are often linked to what is considered excessive complexity, particularly in relation to the governance of the strategies but also the regulatory or other formal demands (i.e. country specific guidance) placed on local actors. Capacity challenges also occur at the **Managing Authority (MA)** level, where the introduction of integrated place-based approaches has added to an already heavy administrative burden.

Fig. 7.1 Challenges to implementing ISUD



Source: van der Zwet et al. 2017

Second, beneficiaries and stakeholders may lack capacity in terms of experience with ESIF projects. The design and implementation of integrated place-based approaches is in many cases significantly different from previous approaches and includes different beneficiaries and stakeholders. This lack of capacity and understanding can lead to disinterest. The inclusion of certain stakeholders in the design process proved challenging in some strategies. Despite extensive efforts, public engagement in the design process was considered to have limited success in Debrecen and Pecs. In Kaunas, the short timescales afforded limited opportunities for engagement with stakeholders. Beneficiary recruitment can also be challenging, either because new groups are targeted (e.g. Brussels, Six Cities) or because of a scarcity of suitable beneficiaries that can absorb funding (e.g. Debrecen).

Third, capacity challenges are also linked to the ability to implement the strategy due to limited funding. There are also concerns in relation to the scale of funding allocations, dispersion of responsibilities, and funding. In most Member States, the level of funding allocated to ITI (and integrated place-based approaches more broadly) is relatively limited, raising questions about their potential impact (van der Zwet et al. 2014). On the one hand, budgetary restrictions can limit the scope of a strategy or conversely make the implementation of a comprehensive strategy unrealistic.

Discrepancies between the aims of strategies and the funding that is required to achieve are not necessarily problematic, as it can lead to effective prioritisation and better understanding of the strategic choices that need to be made by a wider group of stakeholders. However, it can lead to tensions between stakeholders within the territory as well as between different levels of government. Furthermore, in cases where financial allocations are small, either because the overall Member State allocation is small or because funding has been dispersed over many territories, the effectiveness and efficiency of the approach can be questioned.

An overreliance on ESIF funding is in some cases also considered problematic. Additionally, the distribution of reduced funds over a broader array of priorities can cause fragmentation. Domestic budgetary restrictions can cause challenges in terms of securing co-financing, which in some cases can impact on design. Limited funding may also influence the design of indicators, as the funded operations are unlikely to have a major impact that can be measured using common indicators.

Regulatory challenges

A second overarching category can be described as regulatory challenges. These relate in the first instance to a perceived complexity. Some of the evidence suggests that there is an inherent tension

between, on the one hand, the flexibility afforded to Member States in terms of the different ways in which integrated place-based approaches can be implemented under the 2014-20 framework particularly in relation to the different mechanisms that can be used, the diverse range of territories that can be targeted, and the integration with domestic implementation structures. This flexibility is considered valuable and positive and allows Member States, regions and urban authorities to adopt approaches that are sensitive to the context. On the other hand, this flexibility means there is a certain amount of ambiguity in relation to the rules and regulations (van der Zwet et al. 2014).

However, it can also be associated with a lack of capacity and lack of understanding of integrated place-based approaches, which can lead to calls for more guidance. In these cases the lack of – or late provision of – guidelines is closely linked to the perception of complexity (see previous section). In this context it is important to distinguish between EU and domestic guidelines in this case and recognise the knock on effects that may occur. In most cases it is the domestic guidance that is considered more problematic, but the delays in domestic guidance were often a consequence of the late approval of guidance at the EU level.

Late provision of guidance can be particularly challenging in those cases where strategy design had already started and had subsequently to be adapted (e.g. Brno, Chomutov, Patras, CFC pole) or could not inform the full design process (e.g. Tatabánya, Maribor). In some cases, a continued absence of guidance at the domestic level is considered to have had a negative impact on the quality of the strategy. Guidance can also be considered too restrictive and leading to an approach that is too uniform (e.g. Kaunas) or too complex (e.g. Vejle).

Another element that is in some cases linked to the complexity issues relates to the measurement and development of meaningful indicators. Several urban authorities and MA report a lack of data sources on which a comprehensive area analysis could be based, particularly at neighbourhood level, but also in some cases at city level (e.g. Kaunas, Lublin, Ploiesti, Zagreb). More fundamentally, a high number of urban authorities and MA consider the existing Cohesion Policy indicator framework to be inappropriate in relation to ISUD. The vast majority of indicators are sectoral and fail to capture the integrated territorial impact of strategies (e.g. CFC pole, Kaunas, Maribor, Nitra, Pazardzhik, Pecs, Plovdiv, Prague).⁵

A further specific issue in relation to complexity is that the 2014-2020 regulatory framework provides scope for the integration of ESIF funds at the strategic level but opportunities for meaningful integration of funding streams at the project level remain very limited (e.g. Katowice, Brno, Six Cities, Kaunas, Stockholm, The Hague). This point is particularly made in the Katowice case, where

⁵ For more information see Ferry et al. 2017.

it is noted that there is a need for more clarity and flexibility in the rules and guidelines for implementation produced by the Commission, including on how to plan integrated projects.

The mandatory requirement for urban authorities to be designated intermediate bodies has according to numerous urban and managing authorities led to unnecessary complexity. For example, in Brno the diverse implementation structure for the ERDF flows (due to a mandatory requirement for an intermediary body (IB)) on the one hand, and for the ESF and Cohesion Fund (CF) on the other hand, complicates the implementation mechanisms of ITI. In some cases it has been urban authorities that have been concerned with being designated formal IB status as it increased their workload but also some managing authorities have been concerned with specific capacity challenges at the local level. Conversely, some managing authorities and urban authorities have recognised that despite initial difficulties the introduction of the intermediary body requirement has led to capacity building at the urban level (Ferry et al. 2018)

The lack of a domestic urban policy framework or sufficient linkages to domestic policy frameworks can also hamper effective design and implementation. For example, a key problem for Turin is represented by the lack of a national urban strategy and by the fragmentation of responsibilities for urban development at the national level, which means that cities must interact with different ministries/agencies.

There are also inconsistencies and ambiguities within the ESIF framework with regard to supporting integrated place-based approaches, particularly the requirement for thematic concentration is on occasions at odds with an integrated approach. In some cases, urban actors note that the decisions on the themes that are covered by the ESIF programmes and which are informed by the thematic concentration principle mean that not all themes that relate to the local needs of strategies are covered in the programmes and therefore cannot be covered in the strategy. This requirement either meant that urban authorities responsible for the development of the strategies were forced to adopt themes that were not considered a priority or they could not include themes that were a priority.

For example, in Brno, the gradual narrowing of eligible themes and activities from national level for the ITI strategies has undermined the confidence of local partners in the capabilities of the ITI instrument. Also in Chomutov it is noted that only part of the strategy's scope can be implemented due to thematic narrowing. Tatabanya also deemed that a greater diversity of interventions was necessary. Conversely, in the Lille strategy, the urban authority wanted a narrower focus, whereas the MA wanted to cover all four axes of the programme. In Pecs, the strategy formulation started on the assumption that it would encompass territorial and sectoral measures. However, the menu system and the pre-defined breakdown of funds as well as eligibility provisions altogether inhibited the use of a truly integrated approach at both project and programme levels. General issues of aligning

strategies to programme priorities have also been noted in the Six Cities strategy in Finland where there have been some challenges to ensure that the cities ‘understand’ how to align the implementation of the strategy so that it contributes to the overall objectives of the OP.

A final set of regulatory challenges relate to ambiguities in relation to the wider EU regulatory framework, in particular concerning state aid requirements, which limit the implementation of strategies. For example, in Aurillac urban regeneration projects focusing on housing, the revival of retail activities or sustainable mobility, usually require a public-private joint venture because of their size and complexity, especially in a context of limited public finances. However, they face state aid restrictions. In this context, many urban and managing authorities note the inconsistencies with regards to State aid rules at the Commission level as creating legal uncertainty.

Governance challenges

A third category of challenges falls under the broad heading of governance. Integrated place-based approaches require intensive coordination between different levels and different policy areas, which presents its own challenges in terms of planning. Barca also warns of potential failure of coordination, leading to an underprovision of some public goods and services and overprovision of others (Barca 2009). The experiences from several ISUD strategies demonstrate that these challenges can relate to issues of communication, particularly at the early stages of negotiation when the national approach is agreed or communication between the MA and urban authorities has often been limited which can lead to a lack of buy in from urban stakeholders.

A second related issue is the challenge of coordinating a diverse and large group of actors. Coordination of design and approval of ISUD strategies is problematic, particularly in those cases where a large number of partners are involved in the approval process of the strategies. For example, in Nitra, the lack of coordination and communication between different ministries was considered an obstacle to the design process. In the context of the Maribor strategy, a lack of coordination at the central level can also lead to challenges for urban authorities in terms of multiple contacts that are responsible for different parts of the process. Similarly, the cross-sectoral nature of the strategy in Vienna is considered to have resulted in a complex coordination process.

Lastly, the governance category includes several issues in relation to the decision-making process. First, politics and negotiation can have an important impact on the development of strategies. Political will and commitment at local and central levels, as well as positive and early negotiations, were identified as shaping strategy design. In a number of instances, strong political commitment was noted. However, in others the involvement of independent experts that stood ‘above’ politics was also

considered influential. For example, the Maribor strategy emphasises the importance of independent academics, not only in terms of providing analytical support but also a technical rationale for the strategy.

In some strategies, political challenges can emerge that create uncertainty and delays. In the strategies for London, the Brexit referendum caused uncertainty during the design phase. As mentioned, strategies can form the basis for political differences (Aurillac, Porto) or political changes can impact on the design process (Zagreb, Torino). The decision to implement ITI can lead to political demands from other areas to have similar arrangements (Walbrzych).

These include:

- political influence can have a negative impact on the decision-making process (Maribor);
- central-level procedures are not appropriate for the local context or are out of synch with local timelines (Debrecen, Porto, Ploiesti, Timisoara, Kaunas, Patras). For example, Aurillac pointed at the disconnection between the delegation of project identification and selection and retaining financial management, including technical assistance, which raises issues in terms of appropriate administrative resources and visibility regarding strategic management; and
- more clarity with regard to the role and responsibilities of different authorities is required (CFC pole, Six Cities, Kaunas).

7.5 Conclusion and Lessons Learned.

The implementation of territorial instruments can help generate added value in various ways (Ferry et al 2018). There is evidence of innovative policy governance approaches and administrative capacity developing at different levels and among various actors. Innovation can take three main forms: delegation of policy tasks to local levels, creation of new governance structures and strengthening of cooperative approaches. Yet, the governance of territorial instruments is creating challenges for ESIF programme managers. The effectiveness and efficiency of strategies can be undermined where existing capacities are limited. This can relate to variation in human resources available among implementing bodies and stakeholders, particularly where participation in implementing ESIF is relatively new. Designation of monitoring and control systems has been a cause of delay and drafting strategies and developing project proposals based on negotiation and consensus between partners is challenging. A difficulty for some programme authorities is the complexity associated with selecting operations, which is considered more onerous than with other ESIF operations.

Added value can also be generated through strengthened integration. Integration can be pursued at the strategic level by generating synergies between different strategic frameworks and bringing

together numerous investment priorities and themes. Funding sources can also be integrated: combining different funding streams, to encourage coordinated investment in territories. Territorial integration can be pursued through a strengthened focus on functional areas or bottom-up inputs. There is also potential to develop more integrated activities at project level by combining different investments in territorial instruments and implementing a more complex and tailored set of integrated operations. Thus far, evidence indicates that integration is most notable in terms of the combination of strategic objectives in territorial instruments. Integration of funding sources and at territorial level depends strongly on governance arrangements and implementation mechanisms chosen. Most challenging is operational integration, i.e. the development of integrated activities ‘on the ground’.

Thus, there are positive impacts on the involvement of local authorities in the policy process. The approaches empowered municipalities by giving them a stronger role in planning, decision-making and implementation of policies that impact on them directly. Some programme authorities have identified positive experiences and are in favour of a continuation of territorial instruments after the end of the current ESIF programme period. However, given the specific requirements for implementing these instruments and the related administrative demands, proportionality and differentiation are key concerns. This is particularly the case where the available ESIF funding is relatively low or in cases where established traditions of integrated territorial approaches to development policy limited the scope for added value.

As laid down in the TFEU territorial cohesion is a key treaty objective for the EU. The introduction of an integrated policy approach in the form of ISUD strategies, and in particular integrated territorial investment tool, have the potential to promote territorial cohesion policy goals since they contribute to increase levels of territorial efficiency and sustainability. If implemented in an appropriate manner they can reduce territorial disparities within and between urban areas in the EU. The initial evidence seems to suggest that at least in some cases the introduction of these approaches has had a significant impact in the territorial management and planning of urban policy in Member States. However, the overall impact is likely to be varied and will only become apparent over time.

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